

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA

FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

PLAINS AREA MENTAL HEALTH, INC
LE MARS, IOWA
JUNE 30, 2015

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PLAINS AREA MENTAL HEALTH, INC
LE MARS, IOWA
JUNE 30, 2015

BOARD OF DIRECTORS

| <u>NAME</u> | <u>TITLE</u> | <u>TERM EXPIRES</u> |
|-----------------|--------------------|---------------------|
| Carol Wadsley | President | 2017 |
| Doug Schmidt | Vice-President | 2017 |
| Paul Jacobsen | Treasurer | 2015 |
| Maggie Martinez | Secretary | 2016 |
| Becky Wuebker | Member | 2016 |
| Deb Steffen | Member | 2016 |
| Julie Battern | Member | 2016 |
| Jeffrey Hayes | Member | 2017 |
| Sue Bakker | Member | 2017 |
| Patrick Schmitz | Executive Director | Indefinite |

COUNTY BOARD LIAISONS

| | |
|---------------|-------------------------------|
| Dennis Bush | Cherokee County Supervisor |
| Jim Henrich | Plymouth County Supervisor |
| Paul Merten | Buena Vista County Supervisor |
| Rhett Leonard | Ida County Supervisor |
| Steve Ulmer | Crawford County Supervisor |

BURKHARDT & DAWSON

Certified Public Accountants

DONNA R. BURKHARDT, CPA
LAURA M. DAWSON, CPA

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Plains Area Mental Health, Inc.

We have audited the accompanying financial statements of Plains Area Mental Health, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Plains Area Mental Health, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Fees and Grants from Governmental Agencies on page 19 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2015 on our consideration of Plains Area Mental Health, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Plains Area Mental Health, Inc.'s internal control over financial reporting and compliance.

BURKHARDT & DAWSON, CPA's


Certified Public Accountants

Cherokee, Iowa
October 15, 2015

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS

| | 2015 | | |
|---|------------------------------------|-------------------|---------------------|
| | Land, Building and Equipment | | Total |
| | Unrestricted | | |
| CURRENT ASSETS: | | | |
| Cash and Cash Equivalents | \$ 436,047 | \$ 3,000 | \$ 439,047 |
| Accounts Receivable (Net of Allowances for Doubtful Accounts and Rate Adjustments of \$223,300 and \$174,400, Respectively) | 411,882 | - | 411,882 |
| Other Receivables | 159,676 | - | 159,676 |
| Grant Receivables | 22,927 | - | 22,927 |
| Prepaid Expenses | 1,529 | - | 1,529 |
| TOTAL CURRENT ASSETS | <u>\$ 1,032,061</u> | <u>\$ 3,000</u> | <u>\$ 1,035,061</u> |
| PROPERTY AND EQUIPMENT: | | | |
| Land | \$ - | \$ 8,000 | \$ 8,000 |
| Downpayment on Equipment | - | 43,899 | 43,899 |
| Buildings and Improvements | - | 155,000 | 155,000 |
| Equipment and Furniture | - | 610,883 | 610,883 |
| Leasehold Improvements | - | 65,620 | 65,620 |
| TOTAL | \$ - | \$ 883,402 | \$ 883,402 |
| LESS - Accumulated Depreciation | - | (311,710) | (311,710) |
| NET PROPERTY AND EQUIPMENT | <u>\$ -</u> | <u>\$ 571,692</u> | <u>\$ 571,692</u> |
| TOTAL ASSETS | <u>\$ 1,032,061</u> | <u>\$ 574,692</u> | <u>\$ 1,606,753</u> |

See accompanying notes to financial statements

| 2014 | | |
|-------------------|------------------------------------|-------------------|
| | Land, Building and Equipment | Total |
| Unrestricted | | |
| \$ 8,974 | \$ - | \$ 8,974 |
| 232,115 | - | 232,115 |
| 387,623 | - | 387,623 |
| 19,860 | - | 19,860 |
| 3,144 | - | 3,144 |
| <u>\$ 651,716</u> | <u>\$ -</u> | <u>\$ 651,716</u> |
| \$ - | \$ - | \$ - |
| - | - | - |
| - | - | - |
| - | 594,181 | 594,181 |
| - | 65,767 | 65,767 |
| <u>\$ -</u> | <u>\$ 659,948</u> | <u>\$ 659,948</u> |
| - | (320,414) | (320,414) |
| <u>\$ -</u> | <u>\$ 339,534</u> | <u>\$ 339,534</u> |
| <u>\$ 651,716</u> | <u>\$ 339,534</u> | <u>\$ 991,250</u> |

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

LIABILITIES AND NET ASSETS

| | 2015 | | |
|--------------------------------------|------------------------------------|-------------------|---------------------|
| | Land, Building and Equipment | | Total |
| | Unrestricted | | |
| CURRENT LIABILITIES: | | | |
| Accounts Payable | \$ 69,325 | \$ - | \$ 69,325 |
| Deferred Revenue | 31,983 | - | 31,983 |
| Accrued Salaries | 227,581 | - | 227,581 |
| Payroll Taxes Payable | 17,410 | - | 17,410 |
| Accrued Pension Payable | 2,662 | - | 2,662 |
| Customer Deposits | 21,950 | - | 21,950 |
| Note Payable - Line-of-Credit | - | - | - |
| Current Maturities of Long Term Debt | 72,800 | - | 72,800 |
| TOTAL CURRENT LIABILITIES | <u>\$ 443,711</u> | <u>\$ -</u> | <u>\$ 443,711</u> |
| LONG TERM DEBT: | | | |
| Note Payable | \$ 72,800 | \$ - | \$ 72,800 |
| LESS - Current Maturities | <u>(72,800)</u> | <u>-</u> | <u>(72,800)</u> |
| TOTAL LONG TERM DEBT | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| TOTAL LIABILITIES | <u>\$ 443,711</u> | <u>\$ -</u> | <u>\$ 443,711</u> |
| NET ASSETS: | | | |
| Unrestricted Net Assets: | | | |
| Available for Operations | \$ 588,350 | \$ 571,692 | \$ 1,160,042 |
| Temporarily Restricted Net Assets | <u>-</u> | <u>3,000</u> | <u>3,000</u> |
| TOTAL NET ASSETS | <u>\$ 588,350</u> | <u>\$ 574,692</u> | <u>\$ 1,163,042</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 1,032,061</u> | <u>\$ 574,692</u> | <u>\$ 1,606,753</u> |

See accompanying notes to financial statements

| 2014 | | |
|-------------------|-----------------------|-------------------|
| Unrestricted | Land, Building and | |
| Fund | Equipment | Total |
| \$ 96,013 | \$ - | \$ 96,013 |
| 29,658 | - | 29,658 |
| 103,307 | - | 103,307 |
| 9,360 | - | 9,360 |
| 24,042 | - | 24,042 |
| 18,824 | - | 18,824 |
| 92,500 | - | 92,500 |
| 28,288 | - | 28,288 |
| <u>\$ 401,992</u> | <u>\$ -</u> | <u>\$ 401,992</u> |
| | | |
| \$ 40,357 | \$ - | \$ 40,357 |
| (28,288) | - | (28,288) |
| <u>\$ 12,069</u> | <u>\$ -</u> | <u>\$ 12,069</u> |
| | | |
| <u>\$ 414,061</u> | <u>\$ -</u> | <u>\$ 414,061</u> |
| | | |
| \$ 237,655 | \$ 339,534 | \$ 577,189 |
| - | - | - |
| <u>\$ 237,655</u> | <u>\$ 339,534</u> | <u>\$ 577,189</u> |
| | | |
| <u>\$ 651,716</u> | <u>\$ 339,534</u> | <u>\$ 991,250</u> |

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

| | 2015 | | |
|--|-----------------------|--------------------|---------------------|
| | Land, Building and | | |
| | Unrestricted | Equipment | Total |
| PUBLIC SUPPORT AND REVENUES: | | | |
| Public Support: | | | |
| Contributions | \$ 500 | \$ 3,000 | \$ 3,500 |
| Fees and Grants from Governmental Agencies | 944,017 | - | 944,017 |
| Outpatient and Community Services | 4,482,812 | - | 4,482,812 |
| Consultant Fees | 120,927 | - | 120,927 |
| Revenues: | | | |
| Investment/Dividend Income | 420 | - | 420 |
| Recovery of Bad Debts | 10,044 | - | 10,044 |
| Miscellaneous Income | 23,335 | - | 23,335 |
| (Loss) on Disposal of Equipment | - | (14,671) | (14,671) |
| TOTAL PUBLIC SUPPORT AND REVENUES | \$ 5,582,055 | \$ (11,671) | \$ 5,570,384 |
| EXPENSES: | | | |
| Program Services: | | | |
| Outpatient and Community Support Services | \$ 3,866,726 | \$ - | \$ 3,866,726 |
| Supporting Services: | | | |
| Management and General | 1,449,190 | 60,463 | 1,509,653 |
| TOTAL EXPENSES | \$ 5,315,916 | \$ 60,463 | \$ 5,376,379 |
| CHANGES IN NET ASSETS BEFORE ACQUISITIONS | \$ 266,139 | \$ (72,134) | \$ 194,005 |
| OTHER CHANGES IN NET ASSETS: | | | |
| Equipment Acquisitions (Net of Disposals) | \$ (168,417) | \$ 168,417 | \$ - |
| Net Assets Received in Acquisition of WICMHC | 252,973 | 138,875 | 391,848 |
| TOTAL OTHER CHANGES IN NET ASSETS | \$ 84,556 | \$ 307,292 | \$ 391,848 |
| CHANGES IN NET ASSETS | \$ 350,695 | \$ 235,158 | \$ 585,853 |
| NET ASSETS - BEGINNING OF YEAR | 237,655 | 339,534 | 577,189 |
| NET ASSETS - END OF YEAR | \$ 588,350 | \$ 574,692 | \$ 1,163,042 |

See accompanying notes to financial statements

| 2014 | | |
|---------------------|--------------------|---------------------|
| Land, | | |
| Building and | | |
| Unrestricted | Equipment | Total |
| \$ 378 | \$ - | \$ 378 |
| 427,232 | - | 427,232 |
| 2,690,487 | - | 2,690,487 |
| 40,559 | - | 40,559 |
| 183 | - | 183 |
| 13,249 | - | 13,249 |
| 37,362 | - | 37,362 |
| - | (536) | (536) |
| <u>\$ 3,209,450</u> | <u>\$ (536)</u> | <u>\$ 3,208,914</u> |
| | | |
| \$ 1,686,931 | \$ - | \$ 1,686,931 |
| 1,223,708 | 45,419 | 1,269,127 |
| <u>\$ 2,910,639</u> | <u>\$ 45,419</u> | <u>\$ 2,956,058</u> |
| | | |
| <u>\$ 298,811</u> | <u>\$ (45,955)</u> | <u>\$ 252,856</u> |
| | | |
| \$ (77,922) | \$ 77,922 | \$ - |
| - | - | - |
| <u>\$ (77,922)</u> | <u>\$ 77,922</u> | <u>\$ -</u> |
| | | |
| \$ 220,889 | \$ 31,967 | \$ 252,856 |
| 16,766 | 307,567 | 324,333 |
| <u>\$ 237,655</u> | <u>\$ 339,534</u> | <u>\$ 577,189</u> |

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

| | 2015 | | |
|---------------------------------------|---|------------------------------|--------------|
| | Program Services | Supporting Services | |
| | Outpatient and Community Support Services | Management and General | Total |
| Salaries and Wages | \$ 2,336,898 | \$ 805,340 | \$ 3,142,238 |
| Employee Benefits and Payroll Taxes | 528,735 | 183,837 | 712,572 |
| Employee Travel and Transportation | 98,109 | 27,383 | 125,492 |
| TOTAL SALARIES AND RELATED EXPENSES | \$ 2,963,742 | \$ 1,016,560 | \$ 3,980,302 |
| Contracted Services | 317,080 | 17,351 | 334,431 |
| Professional Development | 24,231 | 987 | 25,218 |
| Supplies, Books and Literature | 71,041 | - | 71,041 |
| Telephone | 67,308 | - | 67,308 |
| Postage | 16,800 | - | 16,800 |
| Repairs and Maintenance | - | 57,155 | 57,155 |
| Rent | - | 162,848 | 162,848 |
| Conferences, Conventions and Meetings | 15,385 | 11,243 | 26,628 |
| Membership Dues and Subscriptions | 5,782 | 43,927 | 49,709 |
| Insurance | 41,343 | 2,639 | 43,982 |
| Advertising and Recruitment | 64,619 | 2,573 | 67,192 |
| Professional Services | 272,606 | 44,378 | 316,984 |
| Bad Debts | - | 63,458 | 63,458 |
| Utilities | - | 22,688 | 22,688 |
| Interest | - | 2,635 | 2,635 |
| Miscellaneous | 6,789 | 748 | 7,537 |
| TOTAL EXPENSES BEFORE DEPRECIATION | \$ 3,866,726 | \$ 1,449,190 | \$ 5,315,916 |
| Depreciation | - | 60,463 | 60,463 |
| TOTAL EXPENSES | \$ 3,866,726 | \$ 1,509,653 | \$ 5,376,379 |

See accompanying notes to financial statements

| 2014 | | |
|---|------------------------------|---------------------|
| Program Services | Supporting Services | |
| Outpatient and Community Support Services | Management and General | Total |
| \$ 1,007,889 | \$ 611,861 | \$ 1,619,750 |
| 252,646 | 149,998 | 402,644 |
| 47,185 | 21,370 | 68,555 |
| <u>\$ 1,307,720</u> | <u>\$ 783,229</u> | <u>\$ 2,090,949</u> |
| 200,493 | 22,552 | 223,045 |
| 12,964 | 1,885 | 14,849 |
| 33,296 | 279 | 33,575 |
| 39,065 | - | 39,065 |
| 11,933 | - | 11,933 |
| - | 41,867 | 41,867 |
| - | 156,314 | 156,314 |
| 1,539 | 7,831 | 9,370 |
| 2,802 | 5,594 | 8,396 |
| 33,048 | 2,109 | 35,157 |
| 28,182 | 278 | 28,460 |
| 11,859 | 72,849 | 84,708 |
| - | 97,707 | 97,707 |
| - | 25,912 | 25,912 |
| - | 4,681 | 4,681 |
| 4,030 | 621 | 4,651 |
| <u>\$ 1,686,931</u> | <u>\$ 1,223,708</u> | <u>\$ 2,910,639</u> |
| - | 45,419 | 45,419 |
| <u>\$ 1,686,931</u> | <u>\$ 1,269,127</u> | <u>\$ 2,956,058</u> |

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|--|--------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in Net Assets from Operations | \$ 194,005 | \$ 252,856 |
| Adjustments to Reconcile Changes in Net Assets from Operations to Net Cash Provided (Used) by Operating Activities: | | |
| Depreciation | 60,463 | 45,419 |
| Loss on Disposal of Equipment | 14,671 | 536 |
| (Increase) Decrease in: | | |
| Accounts Receivable | (179,767) | (30,689) |
| Other Receivables | 227,947 | (363,275) |
| Grant Receivables | (3,067) | (15,326) |
| Prepaid Expenses | 1,615 | (3,144) |
| Increase (Decrease) in: | | |
| Accounts Payable | (26,688) | 35,218 |
| Deferred Revenue | 2,325 | 29,658 |
| Accrued Salaries | 124,274 | 15,035 |
| Payroll Taxes Payable | 8,050 | (17,636) |
| Accrued Pension Payable | (21,380) | 1,344 |
| Customer Deposits | 3,126 | 6,628 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 405,574</u> | <u>\$ (43,376)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of Property and Equipment | \$ (168,417) | \$ (80,667) |
| Proceeds From Sale of Equipment | - | 2,746 |
| Net Cash Received from Acquisition of WICMHC | 252,973 | - |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | <u>\$ 84,556</u> | <u>\$ (77,921)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Note Proceeds - Long Term | \$ 72,800 | \$ 42,852 |
| Debt Reduction - Long Term | (40,357) | (92,995) |
| Note Proceeds - Short Term | 232,000 | 97,500 |
| Debt Reduction - Short Term | (324,500) | (5,000) |
| NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES | <u>\$ (60,057)</u> | <u>\$ 42,357</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | \$ 430,073 | \$ (78,940) |
| CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR | <u>8,974</u> | <u>87,914</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 439,047</u> | <u>\$ 8,974</u> |

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|------------------|
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Interest Paid | <u>\$ 2,635</u> | <u>\$ 4,681</u> |
| NONCASH INVESTING TRANSACTIONS: | | |
| Cost of Property and Equipment | \$ 307,292 | \$ 80,667 |
| LESS - Fair Value of Property and Equipment Acquired from WICMHC | <u>(138,875)</u> | <u>-</u> |
| Cash Paid for Property and Equipment | <u>\$ 168,417</u> | <u>\$ 80,667</u> |
| Cash Received from Acquisition of WICMHC | \$ 265,010 | \$ - |
| Fair Value of Supplies Acquired from WICMHC | 525 | - |
| LESS - Liabilities Assumed | <u>(12,562)</u> | <u>-</u> |
| Net Cash Received from Acquisition of WICMHC | <u>\$ 252,973</u> | <u>\$ -</u> |

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

REPORTING ENTITY – Plains Area Mental Health, Inc. is a nonprofit corporation established to provide a comprehensive community mental health program for the diagnosis and treatment of psychiatric and psychological disorders and to promote the prevention of mental illness. Services are provided to residents of Cherokee, Ida, Plymouth, Sioux, Buena Vista, Carroll, Crawford, Monona, Sac and Greene counties in Iowa.

The Organization is exempt from income tax under Section 501(c)3 of the Internal Revenue Code and a similar section of the Iowa income tax law, which provide tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes.

The Organization's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for nonprofit corporations.

DATE OF MANAGEMENT'S REVIEW – Management has evaluated subsequent events through October 15, 2015, the date which the financial statements were issued.

FUND ACCOUNTING – The accounts of the Organization are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are summarized as follows in the financial statements:

Unrestricted Fund – This fund accounts for all resources over which the Organization has discretionary control to use in carrying on the operations of the Organization in accordance with the limitations of its charter and bylaws, except for amounts invested in land, buildings and equipment which may be accounted for in a separate fund.

The Organization's Board may designate portions of the unrestricted fund for specific purposes, projects or investment as an aid in the planning of expenses and the conservation of assets. The Organization maintains separate accounts for designations within the unrestricted fund and segregates the designated and undesignated portions of the fund within the net assets section of the Statements of Financial Position.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

Land, Building and Equipment Fund – This fund is used to accumulate the net investment in capital assets and to account for the unexpended resources contributed specifically for the purpose of acquiring or replacing land, buildings or equipment for use in the operations of the Organization.

BASIS OF ACCOUNTING – Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchases of property and equipment providing future benefits are directly charged against the unrestricted fund balance and capitalized in the land, building and equipment fund.

BASIS OF PRESENTATION – Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations. The temporarily restricted net assets account for all resources restricted by outside sources which can only be utilized in accordance with the purposes established by the sources of the funds. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

USE OF ESTIMATES – The Organization uses estimates in preparing these financial statements in conformity with generally accepted accounting principles. Those estimates

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS – The Organization considers cash on hand, savings accounts and all short term investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents at June 30, 2015 and 2014 are as follows:

| | 2015 | 2014 |
|------------------------------------|-------------------|-----------------|
| Cash on Hand | \$ 2,918 | \$ 5,450 |
| Cash on Hand–Temporary Restriction | 3,000 | - |
| Petty Cash | 220 | 220 |
| Checking Accounts | 73,345 | (1,769) |
| Savings Accounts | 359,564 | 2,073 |
| Benefit Plan Reserve Account | - | 3,000 |
| | <u>\$ 439,047</u> | <u>\$ 8,974</u> |

RECEIVABLES – Receivables are shown at the amount expected to be collected after determining the allowances for doubtful accounts based on an aging of all the individual patient balances.

PROPERTY AND EQUIPMENT – Furniture and equipment is stated at cost. Expenditures for additions and betterments in excess of \$500 are capitalized while expenditures for maintenance and repairs are charged to expense as incurred. The cost of assets retired or sold and the related accumulated depreciation are eliminated from the accounts in the year of disposal, with the resulting gain or loss credited or charged to operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. No interest costs were capitalized since there were no qualifying assets.

COMPENSATED ABSENCES – Organization employees accumulate a limited amount of earned but unused PTO (paid time off) benefits payable to employees. Amounts representing the cost of accumulated compensated absences are recorded as liabilities and have been computed based on rates of pay in effect at June 30, 2015 and 2014, respectively.

DONATED MATERIALS – Donated materials are recognized as contributions and valued at fair market value at receipt.

PLAINS AREA MENTAL HEALTH, INC.
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JUNE 30, 2015 AND 2014

CONTRIBUTIONS – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

PROMISES TO GIVE – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

NET PATIENT SERVICES REVENUE – Patient services revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

NOTE 2 – TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets totaled \$3,000 and \$-0- as of June 30, 2015 and 2014, respectively. The following temporarily restricted net assets were received during the fiscal year.

| | <u>2015</u> | <u>2014</u> |
|---|-----------------|-------------|
| Donation – Restricted Use | \$ 3,000 | \$ - |
| TOTAL TEMPORARILY RESTRICTED NET ASSETS RECEIVED | <u>\$ 3,000</u> | <u>\$ -</u> |

NOTE 3 – LEASES:

Equipment Leases – The Organization rents seven copiers for the various offices under noncancellable operating leases. The Organization rents three postage machines for the Storm Lake, LeMars and Cherokee offices under noncancellable operating leases. The operating lease expense under noncancellable operating leases was \$11,221 and \$7,878 for the years end June 30, 2015 and 2014, respectively.

Future minimum lease payments required under the equipment operating leases as of June 30, 2015 are as follows:

| <u>YEAR ENDED JUNE 30,</u> | <u>AMOUNT</u> |
|----------------------------|---------------|
| 2016 | \$ 12,912 |
| 2017 | 12,912 |

PLAINS AREA MENTAL HEALTH, INC.
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| | |
|-------------------------------------|-------------------------|
| 2018 | \$ 10,460 |
| 2019 | 9,181 |
| 2020 | 6,225 |
| Thereafter | - |
| TOTAL MINIMUM LEASE PAYMENTS | <u>\$ 51,690</u> |

Real Estate Leases – The Organization rents space for the LeMars, Cherokee, Ida Grove, Orange City, Storm Lake, Carroll, Jefferson and Denison offices under noncancellable operating leases. The operating lease expense under noncancellable real estate leases was \$151,627 and \$148,436 for the years ended June 30, 2015 and 2014, respectively

Future minimum lease payments required under the real estate operating leases as of June 30, 2015 are as follows:

| <u>YEAR ENDED JUNE 30,</u> | <u>AMOUNT</u> |
|-------------------------------------|--------------------------|
| 2016 | \$ 153,223 |
| 2017 | 145,960 |
| 2018 | 120,528 |
| 2019 | 118,728 |
| 2020 | 88,312 |
| Thereafter | 18,876 |
| TOTAL MINIMUM LEASE PAYMENTS | <u>\$ 645,627</u> |

The Cherokee and Storm Lake offices subleased a portion of their office space. Total rent earned was \$-0- and \$14,613 for the years ended June 30, 2015 and 2014, respectively.

NOTE 4 – PENSION PLAN:

The Organization started a 401(k) plan for all employees who have completed three months of service effective January 1, 2015. The Organization will match 100% of contributions up to 5% of the employee's wages. Employees are fully vested after six years of service.

The Organization's prior policy was a profit sharing pension plan covering substantially all of its full-time employees. The Organization contributed 5% of covered employees' salaries.

Pension expense amounted to \$82,442 and \$53,952 for June 30, 2015 and 2014, respectively. At June 30, 2015 and 2014, the Organization reported payables to the pension plan of \$2,662 and \$24,042, respectively.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 – UNEARNED INCOME:

Plains Area Mental Health, Inc. received funding from Rolling Hills Region of \$100,000 to be used for the purchase and improvements of a regional crisis stabilization home. The Organization reported these funds as unearned income and will recognize the revenue as they incur the corresponding expenses. Revenue of \$68,017 and \$-0- was recognized through June 30, 2015 and 2014, respectively. The deferred revenue at June 30, 2015 and 2014 is \$31,983 and \$-0-, respectively.

During fiscal year ending June 30, 2014, Plains Area Mental Health, Inc. received funds of \$90,096 from Magellan Behavioral Care of Iowa to be used for implementing the Integrated Health Homes for Adults and Children. The Organization reported unearned income and recognized revenue as they incurred the corresponding expenses. The revenue recognized through June 30, 2015 and 2014 is \$19,658 and \$70,438, respectively. The deferred revenue at June 30, 2015 and 2014 is \$-0- and \$19,658, respectively.

The Organization received a grant during fiscal year ending June 30, 2014 from Plymouth County for \$10,000 to be used in fiscal year ending June 30, 2015. The Organization reported these funds as unearned income and recognized the revenue as they incurred the corresponding expenses. The revenue recognized through June 30, 2015 and 2014 is \$10,000 and \$-0-, respectively. The deferred grant revenue at June 30, 2015 and 2014 is \$-0- and \$10,000, respectively.

NOTE 6 – SHORT TERM DEBT:

Short term debt consists of the following at June 30, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|---|-------------|------------------|
| Note Payable – Line-of-credit, dated April 17, 2015 for up to \$100,000 with an interest rate of 5.25%, is collateralized by a security agreement. It expires April 15, 2016. | \$ - | \$ - |
| Note Payable – Line-of-credit, dated June 20, 2014 for up to \$200,000 with an interest rate of 6.0%, was collateralized by a security agreement. It expired August 31, 2014. | <u>-</u> | <u>92,500</u> |
| TOTAL SHORT TERM DEBT | <u>\$ -</u> | <u>\$ 92,500</u> |

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 7 – LONG TERM DEBT:

Long term debt consists of the following at June 30, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|--|-----------------|------------------|
| Note Payable dated April 17, 2015 for up to \$401,000 with an interest rate of 5.0%, was collateralized by a security agreement. Interest only payments began May 15, 2015. Principal and interest of \$8,045 are payable monthly beginning September 15, 2015 until maturity April 15, 2020. Advances will be made as needed to purchase computer software. | \$ 72,800 | \$ - |
| Note Payable dated June 20, 2014 for \$42,852 with an interest rate of 6.0%, was collateralized by a security agreement. Principal and interest of \$2,495 were payable monthly until maturity November 30, 2015. Loan was paid in full during fiscal year ending June 30, 2015. | - | 40,357 |
| | \$ 72,800 | \$ 40,357 |
| LESS – Current Portion | <u>(72,800)</u> | <u>(28,288)</u> |
| NET LONG-TERM DEBT | <u>\$ -</u> | <u>\$ 12,069</u> |

The following is a schedule, for the next year and thereafter, of payments of debt service to be made concerning long term debt at June 30, 2015.

| <u>YEAR ENDED JUNE 30,</u> | <u>AMOUNT</u> |
|----------------------------|------------------|
| 2016 | \$ 72,800 |
| Thereafter | - |
| TOTAL PRINCIPAL PAYMENTS | <u>\$ 72,800</u> |

NOTE 8 – CONCENTRATION OF RISK:

The Organization maintains accounts at various local financial institutions. Balances in these accounts exceeded the amount covered by FDIC insurance policies at June 30, 2015; however, they were federally insured at June 30, 2014.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 9 – RELATED PARTY TRANSACTIONS:

The Organization had \$9,600 and \$9,600 in expenses to employee family members for services at June 30, 2015 and 2014, respectively.

NOTE 10 – ACQUISITION OF WICMHC:

Plains Area Mental Health, Inc. acquired West Iowa Community Mental Health Center (WICMHC) on July 1, 2014 due to industry changes. As part of the agreement, WICMHC made cash payments to the Organization totaling \$265,010. The Organization also acquired land, property and equipment of \$138,875 and supplies of \$525, which were recorded by the Organization at their fair values. The Organization also assumed accrued PTO with a fair value of \$12,562. The total net assets received in the acquisition of WICMHC was \$391,848.

NOTE 11 – DOWNPAYMENT ON EQUIPMENT:

The Organization paid \$43,899 during fiscal year ending June 30, 2015 toward the cost of new computer software. Programmers will build the program as the Organization deems necessary. The contract states these costs could be up to \$218,080 and the program will be complete by December 31, 2015.

NOTE 12 – RISK MANAGEMENT:

Plains Area Mental Health, Inc. is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 13 – SUBSEQUENT EVENTS:

The Organization set a budget of \$100,000 to be used toward the purchase and remodel of a regional crisis stabilization home. As of June 30, 2015, expenditures of \$68,017 have been incurred. The remaining costs are expected to be paid during the next fiscal year. The Organization has also budgeted \$40,000 to furnish this home in the next fiscal year. (Also see Note 5.)

SUPPLEMENTAL INFORMATION

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
SCHEDULES OF FEES AND GRANTS FROM GOVERNMENTAL AGENCIES
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| COUNTY ALLOTMENTS: | | |
| Plymouth County, Iowa | \$ - | \$ 63,191 |
| Cherokee County, Iowa | - | 32,126 |
| Ida County, Iowa | 200 | 18,698 |
| Buena Vista County, Iowa | - | 77,463 |
| Carroll County, Iowa | 800 | 167,180 |
| Other Iowa Counties | - | 172 |
| Sioux Rivers Region - Cherokee (partial year) and Plymouth Counties | 173,150 | - |
| Rolling Hills Region - Buena Vista, Carroll, Cherokee (partial year), Crawford, and Ida Counties | 614,097 | - |
| TOTAL COUNTY ALLOTMENTS | <u>\$ 788,247</u> | <u>\$ 358,830</u> |
| JAIL SERVICES | <u>\$ 120</u> | <u>\$ 1,050</u> |
| GRANTS: | | |
| Federal: | | |
| Community Mental Health Block Grant | \$ 91,461 | \$ 45,402 |
| Head Start and Early Head Start Program | 7,400 | 8,453 |
| State: | | |
| School Based Mental Health Program | 20,000 | - |
| Community Link Mentoring Program | 23,634 | - |
| Local: | | |
| Siouxland Community Foundation | 1,200 | - |
| Community Foundation of Greater Plymouth County | 1,000 | 5,869 |
| Storm Lake Community Chest | 600 | - |
| Plymouth County LOST Funds | - | 1,628 |
| Ronald McDonald House Charities of Siouxland, Inc. | 355 | - |
| LeMars United Way | 10,000 | 6,000 |
| TOTAL GRANTS | <u>\$ 155,650</u> | <u>\$ 67,352</u> |
| TOTAL FEES AND GRANTS FROM GOVERNMENTAL AGENCIES | <u>\$ 944,017</u> | <u>\$ 427,232</u> |

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Plains Area Mental Health, Inc.

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Plains Area Mental Health, Inc., Le Mars, Iowa, as of and for the year ended June 30, 2015, and the related notes to financial statements, and have issued our report thereon dated October 15, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Plains Area Mental Health, Inc.'s internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Plains Area Mental Health, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Organization's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items A and B to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item C to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Plains Area Mental Health, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Organization's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Organization. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. Comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Plains Area Mental Health, Inc.'s Responses to the Findings

Plains Area Mental Health, Inc.'s responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Plains Area Mental Health, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Plains Area Mental Health, Inc. during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

BURKHARDT & DAWSON, CPA's


Certified Public Accountants

Cherokee, Iowa
October 15, 2015

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
SCHEDULE OF FINDINGS
JUNE 30, 2015

FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

- A. SEGREGATION OF DUTIES – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Organization's financial statements. We noted one individual has custody of receipts and performs all recordkeeping and reconciling functions for the office.

RECOMMENDATION – We realize segregation of duties is difficult with a limited number of office employees. However, the Organization should review the operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff and officials.

RESPONSE – The Organization segregates duties to the best of its ability with the limited number of staff employed.

CONCLUSION – Response accepted.

- B. CASH – Bank balances exceed \$250,000 at one bank so the excess is not covered by FDIC.

RECOMMENDATION – Cash should be distributed to other banks to keep the balance at each bank less than \$250,000 to ensure FDIC coverage.

RESPONSE – This will be monitored more closely. Monthly expenses exceed \$250,000, so exceeding the maximum amount will happen as the funds are necessary to cover payroll and expenses.

CONCLUSION – Response accepted.

- C. BANK STATEMENTS – One bank statement does not coincide with the Organization's fiscal year end.

PLAINS AREA MENTAL HEALTH, INC.
LE MARS, IOWA
SCHEDULE OF FINDINGS
JUNE 30, 2015

RECOMMENDATION – Bank statements should cut off on the same month and date as the Organization's fiscal year end.

RESPONSE – Effective July 1, 2015, this has been done.

CONCLUSION – Response accepted.

OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING:

No matters were reported.